

HOUSE BILL REPORT

HB 1465

As Reported by House Committee On:
Local Government & Housing

Title: An act relating to facilities for local governments.

Brief Description: Concerning facilities for local governments.

Sponsors: Representatives White, Sullivan, Priest, Upthegrove, Nelson and Kenney.

Brief History:

Committee Activity:

Local Government & Housing: 2/5/09, 2/9/09 [DP].

Brief Summary of Bill

- Creates an exception to the general rule that tax levy increases authorized by the voters for the sole purpose of making redemption payments on bonds are limited to a maximum of nine years. This nine-year limitation does not apply if the bonds will be issued to pay for facilities to be used by governmental agencies for public health, safety, or justice purposes.
- Authorizes a city/town leasing a building that has been built on leased city-owned land to pay rent that exceeds the "prevailing rate" if no comparable properties exist by which the prevailing rate can be determined. In such cases, the rent paid by the city/town must be "reasonable."

HOUSE COMMITTEE ON LOCAL GOVERNMENT & HOUSING

Majority Report: Do pass. Signed by 6 members: Representatives Simpson, Chair; Nelson, Vice Chair; Miloscia, Springer, Upthegrove and White.

Minority Report: Do not pass. Signed by 4 members: Representatives Angel, Ranking Minority Member; Cox, Assistant Ranking Minority Member; Ericksen and Short.

Staff: Thamas Osborn (786-7129)

Background:

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Property Tax Lid Lifts.

In addition to constitutional and statutory limits on property tax rates, there is a statutory 1 percent limit on revenue growth for taxing districts. Under this revenue "lid" the amount of revenue collected from a regular (i.e., non-voter-approved) property tax levy cannot be more than 1 percent above the highest one-year amount collected in the prior three years. Taxing districts may exceed this 1 percent cap if the voters in the district approve a "lid lift" which allows voters in a district to agree to tax themselves above the lid.

Prior to 2003 lid lifts were limited to one year. In 2003 the Legislature authorized counties, cities, and towns to seek voter approval for multi-year lid lifts for up to six consecutive years. In 2007 the Legislature extended multi-year lid lift authority to all taxing districts.

Taxing districts are required to explicitly indicate in a ballot proposition for both multi-year and single-year lid lifts that the district's levy base will be permanently increased. If the ballot proposition does not expressly indicate that the final levy will be used for the purpose of computing subsequent levies, the levy base increase is presumed temporary.

A tax levy proposition placed before the voters may expressly limit the duration of an increased levy and may expressly limit the purposes for which the levy is being made.

Tax levy increases authorized by the voters for the sole purpose of making redemption payments on bonds are limited to a maximum of nine years.

Regulations Controlling Leasing of Buildings by a City or Town.

A city or town that contracts to have a building for its use erected on city/town owned land may, as lessor, lease the land for a reasonable rental rate for a term of up to 50 years. The city/town must lease back the building, or a portion of the building, for the same term as the lease of the land, and in accordance with the following requirements:

- the city/town must have a prior right to occupy any or all of the building upon payment of the rent as agreed upon by the parties; and
- the rental rate paid by a city/town must not exceed the "prevailing rate" for comparable space in the area.

Summary of Bill:

Creates a limited exception to the general rule that tax levy increases authorized by the voters for the sole purpose of making redemption payments on bonds are limited to a maximum of nine years. Specifically, this nine-year limitation does not apply if the bonds will be issued to pay for facilities to be used by governmental agencies for public health, safety, or justice purposes.

Authorizes a city or town leasing a building that has been built on leased city-owned land to pay rent that exceeds the "prevailing rate" if no comparable properties exist by which the

prevailing rate can be determined. In such cases, the rent paid by the city/town must be "reasonable."

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) The purpose of the bill is to make it easier for cities and towns to finance major projects, involving bond issuance, for the purpose of developing essential facilities. The nine-year tax levy lid for bond redemption payments is too short for financing very large projects. King County needs the authority to finance projects through the issuance of 30-year bonds, but current law does not provide the taxing authority necessary to do this. The bill would eliminate statutory impediments and would give cities much needed flexibility with respect to finance options.

The bill provides the needed statutory authority to enter into leasing arrangements that facilitate the development of large projects. Some unique types of buildings and other developments, such as jails, have no reference point from which to determine "prevailing rate" for the purpose of calculating rent payments. In such cases, the legislative body of a city should be allowed to determine what rent is "reasonable" under the circumstances.

(Opposed) None.

Persons Testifying: Representative White, prime sponsor; Pete Ramels and Terri Flaherty, King County.

Persons Signed In To Testify But Not Testifying: None.